

Master Thesis

Creating Sustainable Competitive Advantage in the German B2B Lending Business:

The Case Study of Google LLC



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ABSTRACT

This thesis examines Google's patterns in leveraging its competitive advantage into new markets. In 2018, Google made headlines in Germany when it introduced its payment solution, Google Pay, to the market. Despite some challenges in the lending market, the study demonstrates how Google can use its resources to acquire sustainable competitive advantage in the German B2B lending market. The analysis and interviews showed that Google has the potential for a sustainable competitive advantage through its unique organisational resources. The study explores Google's capabilities and identifies the platform concept as Google's market strategy for the German B2B lending market.

Keywords: sustainable competitive advantage, resources, differentiation, platform

1. Introduction

1.1. Background

The banking sector has undergone radical changes in the last century and is in a constant state of development due to digitalisation, innovative business models, new market players and higher regulation. Disruption in the form of digitalisation has taken place in the movie, book and music industries, in which start-ups and technology companies have developed new digital services for customers' mobile devices. The Big Techs, also known as GAFA (Google, Amazon, Facebook and Apple) have changed the way customers think, listen and read. GAFA's striving for growth, innovation and power is why they are entering new markets like the banking sector. The German banking market is one of the largest European markets and differs significantly from other markets by the three-pillar structure and a high degree of fragmentation caused by numerous small financial institutions. Compared to other European markets, traditional banks encounter significant difficulties in generating profits, which is why Google could benefit from tight market conditions by developing an innovative banking platform. Thus, the German market is ideally suited for Google due to radical market changes and digitalisation as growth drivers.

1.2. Motivation and Objectives

Many newspaper articles and journal papers address the issue of GAFA's market entry in the financial service sector. However, apart from these superficial reports, the topic of GAFA in the German B2B lending business has not yet been analysed in any greater depth. S. Pichai, CEO of Google LLC, had already decided to enter the German banking market by offering the mobile payment solution Google Pay. In my thesis, I examine Google's strategy in the B2B lending business. I assume a market entry in B2B lending for two reasons: first, the German B2B lending market is still growing and profitable (see chapter 3.2.). Second, Google is already testing a broad range of lending products in the pilot market India.

Thus, my primary research question in this thesis is:

How can Google's competitive advantages from other industries be used for its entry into the German B2B lending market?

I seek to answer the research question by conducting interviews with experts and a literature review. Hence, my overall objective is to examine the competitive advantage of Google in other industries and assess how they are useful for the German lending business. Because to the best of my knowledge, in-depth analyses of Google's strategy in the B2B lending market are not available in any sources, such an analysis is my contribution to the literature.

1.3. Research Methodology

In general, I obtain information on sustainable competitive advantage (abbreviated "SCA") from the literature by examining recent sources and using search engines such as Google Scholar and journal search functions like NOVA Library. To do so, I aim to develop an overview of the topic and present findings that are important for this thesis. In addition to the literature review, I conducted guided expert interviews to collect qualitative data. I requested participation, but only two persons committed to participate and offered me an interview to discuss various questions. I embed this research concept within the following structure.

In chapter 2, I conduct the SCA literature review with the focus on the conceptual model by Grant, Barney and Porter. In chapter 3, I conduct the case study by introducing Google, applying the conceptual model to Google and describing the findings from the interviews. Thereafter, I discuss the interview results in section 4, connecting them with the findings from the literature review and developing an assessment of my research question. Finally, chapter 5 concludes by discussing the results of my thesis, its limitations and areas for further research.

2. Literature review

2.1. Definitions

The concept of an SCA emerged in 1984, when Day developed different strategies for enterprises to sustain CA. The well-known term 'SCA' appeared when Porter intensively dealt with the competitive strategies to achieve SCA in 1985. Firms can possess either low-cost or differentiation advantages over the competition, but Porter did not formulate a definition of SCA in his paper. For Porter, CA is synonymous with the value a firm is able to create for its buyers. Moreover, the buyers' value must exceed the firm's cost of creating it. In his book *Competitive Advantage*, Porter described value as the buyer's willingness to pay, adding 'superior value stems from offering lower prices than competitors for equivalent benefits or providing unique benefits that more than offset a higher price' (Porter, 1985). On the contrary, the American professor Barney defined SCA thus: 'A firm is said to have a sustained competitive advantage when it is implementing a value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy' (Barney, 1991).

2.2. A Conceptual Model of Creating Sustainable Competitive Advantage

2.2.1. Objective of the Model

Among all industries, some companies are more profitable and sell products with higher customer value than others, and some market players are able to outperform their competition. The superior performers conceivably possess something unique and hard to imitate that allows them to outperform their rivals (Bharadway, 1993). The following resource-based view of SCA is based on papers by Grant (1991), Barney (1991), Day and Wensley (1988) and Porter (1985) that explain the three steps for the creation of SCA (see Appendix I). In this model, the firm's unique organisational skills and resources are viewed as the primary source of CA. Thus, the overall objective of the conceptual model is to clarify how firms can achieve SCA within their

industry to fully exploit the potential of their unique resources and skills by putting in place a promising business strategy. Furthermore, no one knows what will happen in the future and what the future value of the company will be, which is why it is necessary to have an SCA in the market and to be ready for change.

2.2.2. Overview of the Model

2.2.2.1. *Value Creation*

First and foremost, enterprises need to determine a company-specific strategy about what value they want to deliver to customers, how they can differentiate themselves from their competitors and how they can be successful in the long term. For this reason, the fight against competitive parity is the basis for getting CA. As mentioned, the enterprise aims at creating value for its customers by introducing unique products on the market. The first step of the model is value creation to establish the potential for CA. Thus, the company needs to accumulate a platform of unique organisational resources and skills that fulfil the VRIO conditions: (1) valuable: the resource must add unique value to the firm; (2) rare: rare organisational resources can be sources of SCA only if firms that do not possess these resources cannot obtain them; (3) inimitable: the resource must be imperfectly imitable; and (4) organised: competitor cannot be substituted with a similar resource by competitor (Wright, 1994). The internal resource platform offers a more secure foundation than industry focus to generate CA when the external environment is subject to rapid change. However, unique organisational resources are the primary sources of profitability and differentiation.

According to Barney, resources fall into three categories: physical capital resources, human capital resources and financial capital resources. Physical resources consist of such things as the firm's plant and equipment, technology and geographic location. Human resources include the experience, judgement and intelligence of the managers and workers in the firm (Wright, 1994). Finally, financial resources are all about the firm's cash and capital reserves. Moreover,

Barney's resource-based view identified all assets, capabilities, processes, firm attributes, knowledge and so on owned by an enterprise that help it implement the most suitable strategy that improves its efficiency and effectiveness (Barney, 1991). The three types of resources are not the only deciding factors for a well-functioning platform. Know-how, values, systems and organisational processes within the firm affect the concept of organisational resources' platform in the same way as the resource types. The Indian-American economist Ghemawat established a taxonomy for the resources: competencies, specialised assets and architecture of relations that aim at developing something unique for the firm. Competencies include knowledge accumulation, new product development, brand and ecosystem management. Specialised assets are characterised as (in-)tangible assets, e.g. scale economies, reputation and patents, that by their idiosyncratic characteristics are not available to the firm's competitors or are available at a price that will not allow capturing abnormal returns anyway. Architecture of relations means an internal and external network of relations that provides knowledge creation for the firm and its members as well as flexibility. These elements will be evaluated according to the strategic importance and relative strength of the firm (Papula, 2013).

To sum up, value creation only creates the potential for competitive advantage, and afterwards, the firm needs to capture the abnormal returns to generate competitive advantage.

2.2.2.2. Value Capture

Day and Wensley generally distinguish between two sources of CA and describe 'superior skills as the distinctive capabilities of a firm's personnel that set them apart from the personnel of competing firms and superior resources as more tangible requirements for advantage that enable a firm to exercise its capabilities' (Day & Wensley, 1988). Through these two sources, an enterprise is able to perform its activities either at a lower cost or in a way that leads to differentiation. Thus, the firm will put in place a business strategy that leverages the organisational resources embedded in products/services to capture the value created.

Cost leadership

The superior business strategy cost leadership entails performing the company's activities at a lower cost than competitors while offering a similar product. A low-cost producer may even operate in related industries, and the strategy is more than just going down the learning curve, the overall objective is to fully exploit all sources of cost advantage. Several key strategic elements can generate cost leadership such as scale-efficient plants, process innovation or outsourcing. A firm with cost advantage will be an above-average performer in its industry, and its low-cost position leads to higher returns. But the cost advantage of a low-cost producer depends on the industry structure (Porter, 1985).

Differentiation

Porter's second business strategy is differentiation, which is characterised by the difference in the customer's perception about key product attributes between the company's offerings and its competitor's product portfolio (Bharadwaj, 1993). A firm with differentiation will also be an average-above performer if its price premium exceeds the extra costs for the uniqueness. Porter defined the term as 'Providing something unique that is valuable to the buyer beyond simply offering a low price'. Therefore, a firm seeks to create something unique that is widely valued by customers. The differentiation between the offerings can be based on the product itself, value proposition and other factors. It must be said that there can be more than one successful differentiation strategy per industry. For instance, emphasis can be on branding, design, service, quality or new product development (Porter, 1985).

2.2.2.3. *Sustainability*

Having a CA is not enough in the long term when the external environment is subject to rapid changes and challenges. For this reason, the firm needs to implement an isolating mechanism to fight imitation and sustain the CA in case of disruption and significant structural changes in

the industry. Firms can choose one of several mechanism types. First is implementation of a mechanism against imitation that prevents business strategies being replicated by the competition. This includes legal mechanisms (e.g. patents), government controls, special rights, strategic fit, causal ambiguity and pre-emption. Early mover advantage is the second isolating mechanism for firms to protect their business from threats that might arise on both the supply and demand side. Buyer's switching costs, network externalities and buyer inertia are demand-related factors that result in an early mover advantage over later entrants. On the supply side, learning economies, scale economies and sunk costs are considered factors.

All in all, unique organisational resources are the prerequisites for SCA, and the product and services of a firm may contribute to the CA but in themselves are not a CA. The key for SCA is to create unique value for the customer to have the potential for above-average profitability. Subsequently, a firm has to be able to capture the abnormal returns by a sustainable business strategy to generate CA in the industry. In the long term, it is necessary to prevent the unique resources by implementing an isolating mechanism to stay sustainable.

3. Case Study: Google LLC

3.1. Company Profile

The vision statement of Google is 'to organize the world's information and make it universally accessible and useful'. This expresses the revolutionary idea of the founders S. Brin and L. Parry. Google began as an online search engine firm in 1996, but Google is continuously developing new products in a broad range of industries. Google's product portfolio ranges from e-mail and cloud-based documentation to software and hardware for retail and commercial clients. Nowadays, Google is one of the largest tech company worldwide and is one of the GAFA, which stand for disruption, innovation and technological pioneers. Furthermore, Google has possessed a banking licence in Europe since 2007, so entering the German banking

market was the next logical step to expand its business. The mobile payment solution for retail clients, Google Pay, was launched in June 2018 in Germany (Alphabet Inc., 2017). Fast, simple and secure, Google Pay attracts customers with its functionality and provides the foundation for the disruption of the financial service sector. The European banking licence enables Google to expand its financial service activities in Germany as it already has in India, announcing in August 2018 its ambition to enter the digital lending market (Rai, 2018), which could be Google's next big thing.

3.2. B2B Lending Market in Germany

3.2.1. Market Overview

An essential business area for German banks is corporate banking. Roland Berger stated that the gross revenue potential of the German corporate banking market is between €29 and €33 bn. The reason is that the German economy is particularly shaped by SMEs (also called Mittelstand in Germany) that generate a significant share of €23 bn. (Juchem & Löber, 2017). Businesses with multinationals and large corporations are facing a number of challenges including falling margins and intensified competition, so German banks have begun to focus more on SMEs because the credit margin with SMEs is ten times higher than business with multinationals (Sträter & Hasken, 2018). The B2B lending market increased by 4.6% in 2017 compared to 3% in the previous year (SCHUFA Holding AG, 2018). The market is gradually changing by digitalisation. Thus, BCG expects a significant shift towards digital channels in the next five years that will generate around 30-40% of the traditional corporate banking revenue (Baumgärtner, 2018). In addition, all major banks in Germany are currently working on fully automated and digitalised credit decision processes to meet customers' expectations of a simple, fast and digital experience. As mentioned, the German banking market is one of the largest in Europe and is highly competitive because there are approximately 1800 financial

institutions in Germany. Furthermore, ECB and Bafin are increasing pressure on the entire sector by passing the guidelines CRR, CRD and Basel.

All in all, the growing German B2B lending market offers Google an optimal opportunity to extend its engagement in the financial service industry.

3.2.2. Market Trends

This paper concentrates on three key trends in the German B2B lending market. First, all credit institutions, fintechs and non-banks are working on fully automated and digitised lending processes to significantly improve the customers' experience from acquisition through decision-making to collections. The key focus in every case is the customer who is the centre of the product. The customer's needs and expectations have dramatically evolved towards an easy-to-use, multichannel and seamless experience with a high level of security. Second, digital sales platforms and comparison portals are recent trends in the German lending market for both retail and corporate clients. Such platforms correspond precisely to the needs of customers through high transparency, simple process and instant loan offerings. Third, most of the institutions are working on offering value-added services ranging from new products (e.g. mobile app) to new services (e.g. financial analysis) and even outside financial services.

3.3. Application of the Conceptual Model

3.3.1. Value Creation

Google holds an impressive 90.8% market share in the search engine industry. This chapter discusses Google's CA in its markets and afterwards how it can achieve it in the banking sector.

As mentioned, the value needs to be created through an organisational resource platform to acquire the potential for CA. Google has already built an enormous ecosystem with a variety of resources including human, physical and financial capital. Like the other GAFAs, Google has highly talented and motivated employees with in-depth knowledge in enabling technologies

and other topics around innovation and digitalisation, but the expertise in banking is virtually non-existent. In addition, Google has over 78 offices in more than 50 countries, including innovations labs and R&D centres. Besides highly qualified staff and impressive physical resources, Google has enormous financial capital to expand its business into new areas. Google's parent company Alphabet, Inc. spent more than \$16.6 bn. in R&D in 2017, ranking second, behind Amazon, last year (Alphabet Inc., 2017). To analyse the SCA, the first asset to evaluate are Google's competencies. Overall, Google's value creation lies in different resources, but its core competence is new product development. The company has developed products in diverse industries worldwide and disrupted many industries with its innovative solutions. However, the tech giant always wants to be up to date about the latest knowledge and technology. Therefore, Google, for instance, rolled out an Artificial Intelligence Hub in 2018 to push AI-based services on the market. Furthermore, Google's ecosystem management is one of the essential resources that contributes to CA. Google knows more about people than any other company on Earth. The company gathers data about its customers all the time by connecting all Google services (e.g. Gmail, Drive, Play Store and Search). In the end, Google has access to a vast amount of data, and the customer has a uniquely cohesive experience.

The second organisational resource is specialised assets. Google is one of the top innovators and first movers in the world of technology. As a consequence, Google holds over 50.000 patents to protect its innovations against imitations. A second specialised asset is its outstanding reputation for quality, service and trustworthiness. Its software and hardware have long life-cycles and excellent reviews.

Lastly, the architecture of relations is another source of value creation. Apart from the well-developed ecosystem, the network of partners is most likely unique because of the broad range of partners among industries. The network allows Google to gain insights about challenges, trends and growth potential into almost all markets and sectors.

In conclusion, all these resources meet the VRIO conditions (see chapter 2.2.) and are thus sources of Google's CA. Hence, Google definitely has the potential for CA due to its valuable resources and skills. Next, the value needs to be captured through a business strategy to leverage these resources efficiently.

3.3.2. Value Capture

Google's intensive growth strategy has made it one of the most valuable brands in the world. Google's business strategy, based on Porter's model, is differentiation and is consistent with its internal vision. The techs distinguish themselves from their competitors through innovative and unique products. For instance, Google Search's growth ensures CA against competitors like Yahoo. The differentiation strategy is based on the uniqueness of its products and innovation capability of the whole enterprise. As Porter stated, a firm needs to provide something unique that is valuable for the customer, and Google has succeeded at this with its distinctive services. The differentiation strategy is driven by a set of features like marketing abilities, product engineering skills and research capabilities. Apart from that, strong branding, product design, high-quality offering and new product development are the most important strategic elements of Google's differentiation advantage. For instance, the firm has high competence in research capabilities and product engineering because of its massive spending in R&D and highly skilled staff. Additionally, Google has succeeded in combining both tangible (e.g. performance) and intangible (e.g. image) assets of differentiation. GAFA generate abnormal returns by implementing a differentiation strategy.

3.3.3. Sustainability

Lastly, to acquire an SCA, the firm needs to implement multiple isolating mechanisms that prevent the competition from replicating its business strategies. Google possesses both legal mechanisms and the early mover advantages in several industries. It owns a broad range of patents, copyrights and special rights to distribute its products and services worldwide. Apart

from that, Google has gained early mover advantage by creating completely new industries, products and services. The early mover advantage can be one tool to remaining sustainable. Google has managed to move successfully into new businesses like banking because the tech giants do not focus on products but rather deal with problems and constant improvement of the customer's experience. In general, GAFA understand much better what customers want and need. Their success proves them right and will definitely be sustainable over the coming years. Google does not deliver just a product, but rather a tailored solution to customers.

As mentioned, Google has already entered the financial service market in Germany through Google Pay. The mobile wallet allows the customer to check out online and in stores and to directly pay friends. In addition, Google Pay has value-added services. For instance, a customer can add credit, loyalty and gift cards to the mobile app. To acquire an SCA, Google needs to create an extensive ecosystem and platform in banking with a broad range of products and services. Google's ecosystem is an excellent example of how a firm can gain access to the customer sustainably. This is the crux of the matter: building a sustainable ecosystem and platform in banking through innovative products, value-added services and strategic partnerships and connecting all Google's services in one ecosystem.

3.4. Expert Interviews

3.4.1. Research Design

I conducted two semi-structured Skype interviews with experts in financial services with a set of questions (see Appendix II). Both interviewees received my questionnaire and information about my thesis in advance to have sufficient time to prepare. In the interviews, I addressed topics such as the German lending market, Google's USPs and its strategy in banking.

In the first interview with Christopher Schmitz, partner at EY and fintech lead in Germany, we discussed strategic topics and future scenarios for Google's activities in the German banking

market. Furthermore, I was able to obtain insights into the importance of innovation and platform economy. The second interview was conducted with Sebastian Thiemann, who works for Compeon GmbH as chief sales officer. Compeon is Germany's leading financing portal for SMEs and offers tailored client solutions from loans to factoring. Hence, I had the opportunity to ask an expert about the German B2B lending market and platforms.

The findings of the interviews are summarised and structured in almost the same manner as the interviews.

3.4.2. Results of the Interviews

3.4.2.1. *Market Landscape*

Schmitz and Thiemann used almost the same words to describe the current state of the German B2B lending market. At present, strong competition, regulation and highly fragmented structure dominate the B2B lending market. Additionally, Thiemann took the view that the market is still attractive for new players in spite of granular industry structure and strong competition through new fintechs, for instance, lending platforms and brokers. He referred to a recent study by zeb 'Firmenkundengeschäft 6.0' that compiled an assessment of German corporate banking. Corporate banking generated 43% of total profit contributions in 2017 (Sträter, 2018). However, Schmitz pointed out a strong affinity for lending platforms in Germany. The success of platforms is considerable because the market capitalisation of the top 10 platforms is twice as high as that of the top 10 banks, according to the zeb study. Both interviewees also broadly agreed that the current state of the market is not sufficiently advanced for Google's mind-set: Google is interested in highly profitable markets with high interest rates. Thus, the lending expert, Thiemann, is certain that Google will not enter the market within the next 24 months.

Furthermore, different views were expressed on the key success factors. Schmitz identified three factors—ecosystem, closer proximity to the customer and network of partners - whereas

Thiemann draws attention to the importance of a well-structured sales network. As in every industry, financial institutions are facing the challenge of developing products that give customers added value. Transparency, speed and simplification are the main customer expectations that must be respected to acquire a CA over major competitors, as Thiemann said.

3.4.2.2. Google's Competitive Advantage

Innovation, disruption and growth are the main characteristics of Google's road to success. Google has on various occasions demonstrated its ability to enter entirely new industries through its innovation capabilities. The company knows how to disrupt entire industries and develop revolutionary ideas in a short time.

As described in chapter 3.3, Google will generate CA with its unique resources and competencies. The interviewees identified three main USPs for Google to acquire SCA in banking. First, they emphasised customer interface as a central point. Google has already succeeded in filling the customer interface with its fast and simple digital platforms in a broad range of industries. So Google can interact directly with the customer, get immediate access to consumer behaviour data and thereby attract new customers. Second, Google addresses almost all eligible customer groups with its products and services, whether they are young or old, digital native or traditionalist. Additionally, Google's business with marketing ads gives it access to extensive business clients, which generates a vast amount of data. Those data can be used to tailor financial solutions and analysis. Thus, Google has a huge advantage over the competition due to its high customer base based on its dealership structure and comprehensive volume of data, which both are essential to capturing CA. Third, human and financial capital stood out for both interviewees when they consider Google's USPs. Thiemann mentioned that Google is able to disrupt almost every industry within a few months due to its enormous resources. As mentioned, Google is one of the most valuable companies in the world, allowing it to enter a new market faster and try its luck.

All in all, Schmitz and Thiemann agreed that Google has the potential for CA in the lending business and can generate a significant market share in upcoming years. Its B2C payment solution, Google Pay, has already proven that Google understands the market.

3.4.2.3. Google's Strategy in the German B2B Lending Market

Google's mission statement underscores the dominant position of the firm regarding what it wants to achieve. To differentiate itself from their competitors, Google needs to be faster, more agile and more innovative than the other players. Thus, Thiemann identified the core aspect of its differentiation strategy: Google Search Engine. There were over 3.5 billion Google searches per day in 2017, demonstrating the traffic and reach of its services (Alphabet, 2017). In addition, Google will place its services, for instance, Google Flights, first in the search results that is a huge advantage over its competitors when customers looking for something on the internet.

Thiemann and Schmitz identified two different market entry strategies for Google. First, Google provides its clients' its own products (e.g. loans, leasing and factoring products) to equip them with working capital. The motive is obvious: Google provides cash to grow faster and gather more financial data about its customers to make them more transparent. According to Schmitz, Google's R&D spending is high enough to offer value-added products and services that are competitive. A second option would be to enter partnerships with traditional banks and/or fintechs like Amazon and JP Morgan in the US. The advantage of this option is that Google does not assume the financial risk - the traditional bank does. Nevertheless, both interviewees agreed that this strategy is rather unlikely in the next 24 months because Google does not yet have the required expertise and specific resources to enter the B2B lending market. However, one has to ask whether this strategy is compatible with Google's overall strategy.

Thus, the second strategy would be the development of an entirely new lending platform such as Compeon. The business models of Big Techs like Google, Amazon and Alibaba are based

on digital platforms, and they are highly efficient, know how to reduce operational costs and how to redefine the whole customer experience (Bose, 2018). Thiemann, who works for the leading digital lending platform, knows how profitable those business models are. The platform offers tailored commercial financing solutions from various partners and provides a full-service concept to SMEs as a brokerage platform. Compeon enables SMEs to quickly and easily access tailored solutions within a maximum of 48 hours. The concept has revolutionised the lending business in Germany in terms of speed, transparency and conditions. The financial service sector is going to be a platform industry. Thus, Schmitz expects that a two-sided platform would be the best option for Google to benefit all stakeholders. However, he recommended a lending platform with simple financial products such as financing, leasing and factoring, but it would also be conceivable that Google offers a B2B payment solution to extend the ecosystem. Finally, Schmitz said that the platform aims at delivering superior value to its customers by offering value-added products and services. Google must create added value and extend the ecosystem with superior financial solutions to be sustainable in the long term. Schmitz and Thiemann anticipate a partnership with a well-established fintech in Germany to benefit from their market expertise and business model.

In brief, both interviewees favour the platform concept as the strategy for Google.

4. My Own Assessment

In chapter 4, I discuss the findings from the interviews with respect to my research question. Thus, I would like to answer the following question based on the analysis of Google: How will Google position itself in the German B2B lending market?

As described in chapter 3.3., Google has achieved SCA in various industries. The analysis and interviews show that Google has built a strong entity with enormous resources, competencies and assets as well as a business strategy to set itself apart from its competitors. I definitely think

that Google will also be able to achieve an SCA in banking because it has shown how it can disrupt entirely new business areas in a short period. More importantly, Google has the sources of SCA described in chapter 3, namely, new product development, ecosystem, innovation, reputation and partner network. Two further points should be considered as key sources of SCA for Google: market orientation and customer value. First, Google understands both its customers and its competition better than anybody else. The concept depends on gathering and disseminating information as well as reacting quickly to customers' needs. Google has already proven its ability to respond to new trends and behaviours. Second, continuously learning about trust, commitment and customers is also a source of SCA, also known as customer value. As mentioned, the overall objective of any enterprise is to create value and satisfy the customer. Innovative products and services as well as a well-established ecosystem will ensure that Google creates unique value for its customers.

Google needs to further develop core skills for the lending business. Google is not familiar with the lending business at all, but the tech giant already has the core skills for the market. Due to page constraints, the thesis focuses on two basic skills a firm needs to be successful in the lending market. GAFA are actually using Big Data Analytics to analyse customer behaviour and individualise their offerings. Understanding the customer and competition is the foundation not only of being successful in the market but also to achieve SCA in banking. Despite an increasing degree of digitalisation in banking, the industry had not yet reached maximum automation. Google can drive technological progress in the lending market by introducing innovative products and services. Smart, creative and visionary - these words best describe Google's ability to quickly adapt to new technology and trends. Thus, Google possesses the two core skills to enter the lending market because of its large data analytics department and a vast number of highly talented employees who are able to develop unique digital offerings.

In 2017, Karren Mills, who served President Barack Obama as his administrator for SME, said at the Europe Fintech conference: 'I think they are going to dominate the market, and that is the next phase that's coming, [...] but the question is, in what form would that come, and under what regulatory authority?' (Browne, 2017).

I think Google has noticed the emerging trend of platforms because one-third of new businesses are already conducted via a digital platform. Therefore, Google will attempt to position itself properly by introducing a revolutionary lending platform, commonly referred to as a P2P lending platform (Hach, 2018). As one can see in the current market, two-sided platforms bring innovation to traditional banking for both borrowers and investors (Vallee, 2018). Google can act as an intermediary between the two sides without assuming any credit risk by offering its own financing solutions. A P2P lending firm generates revenue primarily from origination fees (borrowers), recurring interest payments (investors) and other fees such as default fees. The business model is based on an open banking approach in which Google provides third-party products through APIs. Thus, Google can focus fully on offering the best products and delivering superior customer experience.

Furthermore, a platform gives Google more traffic, higher customer reach and increased transaction volume. First, we should be aware of how it works, at least in theory. A P2P lending platform brings together borrowers and investors without the need for banks as intermediaries (see Appendix III for the complete function). All stakeholders can profit from this concept: borrowers have access to new products with lower interest rates, benefit from a seamless experience through automation and digitalisation and buy products from a secure platform. For investors, lending platforms provide access to new customer groups, generate higher returns and increase diversification across the borrowers. Finally, Google will benefit immediately by having access to a broader customer base, saving operational costs and offering better rates to borrowers and interest to investors (Derayah Financials, 2017).

However, the concept alone is not sufficient to acquire a CA over its competitors unless Google creates value-added service, as in the case of Google Flights. For most digital natives, Google Flights has replaced Kayak and other travel websites due to its user-friendly interface, fast booking process and advanced features like cheaper flights notifications and calendar search. The value proposition of Google is clear: additional services and features create added value for the customer and offer decisive advantages over its competitors. As a consequence, Google has to try a similar model in the B2B lending market: creating a platform with value-added services that are unique in the industry. The business model is perfectly designed as the first step because the balance between margin and expenses incurred is above average compared to the customary profit margin. I firmly believe that this approach should be Google's objective due to its inadequate skills in banking. In addition, Google's business model is based on a platform concept, so the company already has in-depth experience in how to build a dominating platform.

Having considered all these facts, I am convinced that Google has not only the potential for SCA, but also will capture the SCA in the lending business. Google has already proven its engineering skills across various industries. Additionally, the market conditions could hardly be more favourable for Google: existing market players are weak and are not well prepared for a disruptor like Google.

5. Conclusion

5.1. Result of the Research Question

Based on the case study of Google, I examined Google's CA and its entry into the German B2B lending business. The research question consisted of two parts: First, how has Google generated CA in other industries? Second, is its CA in other industries helpful for entering the German B2B lending market?

The analysis of Google and its strategy in lending is derived from direct evaluations by the conceptual model and interviews with experts. In addition, I suggested a suitable market entry strategy for Google based on interviewees and market trends.

The analysis shows that Google is acquiring CA in various industries through its unique organisational resource platform, such as exceptional new product development, intense ecosystem and a broad network of partners. Google has succeeded in implementing sustainable differentiation strategies in several industries. Thus, Google acquires SCA by creating unique value for its customers through innovative products and services.

Online marketing, smart home and communication are industries in which Google is represented. Google entered the financial service sector in Germany through Google Pay in 2018. I expect a market entry in B2B lending due to different assumptions. The interviewees are confident that Google is able to establish itself in the market based on its unique resources and USPs. Both the interviewees and critical assessment recommend a two-sided P2P lending platform in which Google is the intermediary between the investor and borrower. The business model is characterised by less effort but higher returns than offering self-developed lending products. Google has to demonstrate its intention to develop a revolutionary platform regarding offering, functionality and usability.

To summarise, Google appears to be predominately well positioned with respect to managing

the challenges in the German lending market. Nevertheless, SCA can be definitely achieved by its unique resources when they have been applied correctly.

5.2. Limitations of the Thesis

This study looked at the market entry in the German B2B lending market. The results of my case study apply only to German customers. They may not translate to other European countries because of their different market characteristics. As the thesis pointed out, the German market varies significantly in terms of market structure, customers and products/services.

In addition, the case study is based on two qualitative expert interviews. The use of multiple interviews allows for extensive knowledge about the German B2B lending market and Google's ambition in the B2B sector, mainly because different views are considered. However, personal impressions are subjective and differ across interviewees. Potential means of overcoming this limitation include conducting additional interviews with other market experts. Due to time and page constraints, a higher number of interviews was not feasible.

Third, the conceptual model of SCA was not specially designed for Google or financial institutions, but it is a general model to analyse the SCA of any firm. Thus, its application and assessment are just one variant and not the only possible solution.

5.3. Further Research Opportunities

The research that has been undertaken for this thesis has unearthed a number of topics on which further research would be beneficial. It would be interesting to examine whether Google will set up a bank with a broad range of products within the next few years. The founding of a bank will depend on Google's strategic focus. But Google must be entirely clear about the business complexity and risk of acting as a licensed bank. Second, an analysis of Google's ambitions in the financial service sector would be exciting for both the industry and customers because the management of Google has not yet said anything about their intentions in the banking industry.

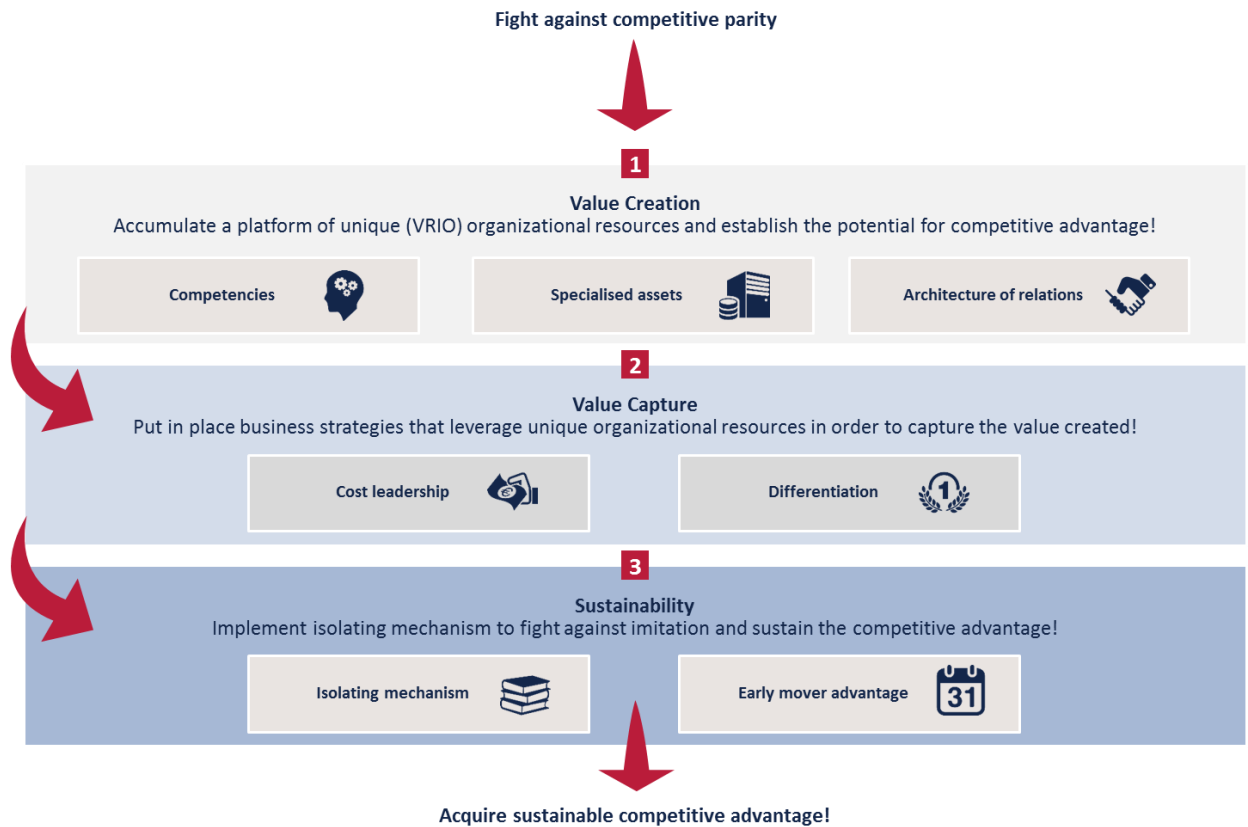
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Appendix

Appendix I: Three-tier Model



Source: Own development

Appendix II: Interview Questionnaire

Status Quo German Banking Market

- Some new players are entering the German banking market such as Fintechs and the big techs (e.g. Amazon and Google). What could be the reasons behind the market entry of GAFAs in the financial service sector?

B2B Lending Market in Germany

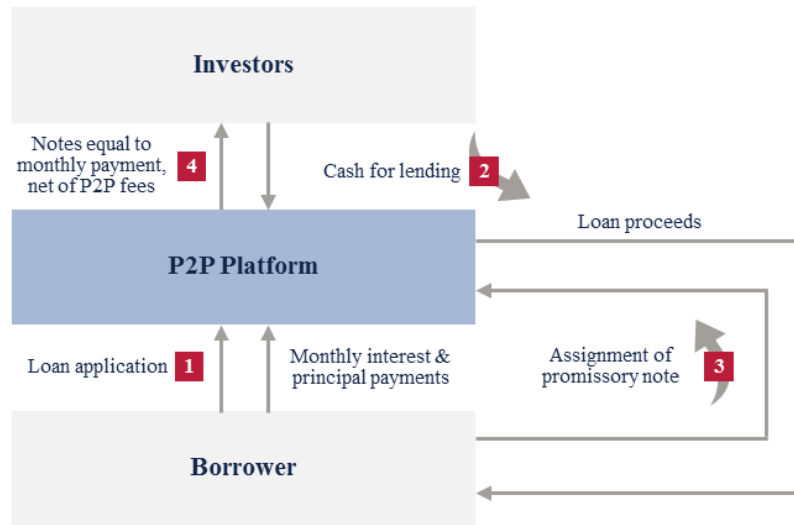
- How would you describe the German B2B lending market?
- What are for you the key success factors in the market? Please address in particular customer expectations, products/services, technology, automation and system/processes!

Google in the B2B lending market

- What are the key success factors/USPs of Google in their current business areas (Search Engine, Hardware, Smart Home, etc.)?
- Google Pay is the first banking solution of Google. Could it be helpful for entering the B2B lending market in Germany?
- Does Google possess the required resources (human, physical and financial resources) to enter the B2B lending market in Germany? If so, what are the most important resources for a sustainable market entry in your opinion?
- What chances do you see for Google in B2B lending market? Please keep in mind Google's USPs and resources!
- Google has a strong branding and offers high-quality products. What business strategy is Google pursuing based on M. Porter?
- To acquire a sustainable competitive advantage, a firm need to implement isolating mechanism against imitation that prevents business strategies' replication form competition. There are two types of mechanism: (1) mechanism against imitation and replication, and (2) early mover advantage. Please identify and define three mechanisms!

Source: Own development

Appendix III: P2P Lending Concept



- 1** After the borrower applies for a loan, his credentials (FICO score, credit report, etc.) are ascertained by the P2P platform through its proprietary scoring model. If the borrower meets the minimum criteria, his loan request is listed on the web site, calling on lenders/investors (institutions or individuals) to back them
- 2** Once a lender/investor commits to a borrower, the funds are transferred to the P2P firm after deducting its P2P origination fees, which transfers the funds to the borrowers through an electronic platform
- 3** On receipt of the loan proceeds, the borrower then sends a non-recourse promissory note assigned to the P2P firm
- 4** The P2P firm uses these promissory notes to distribute interest and principal payments to lenders after deducting its fees

Source: Derayah Financial (2017)